

**Forrester Research, Inc.**  
**Consolidated Statements Cash Flows**

(In thousands)

	Nine months ended September 30,	
	2004	2003
	(Unaudited)	
<b>Cash flows from operations:</b>		
Net income	\$ 606	\$ 2,104
Adjustments to reconcile net income to net cash provided by operating activities –		
Depreciation	2,801	5,052
Amortization of intangible assets	5,112	6,140
Non-marketable investments (gains) impairments	(370)	572
Realized gains on sales of marketable securities	(678)	(509)
Tax benefit from stock options	256	239
Deferred income taxes	(2)	747
Non-cash reorganization costs	1,844	-
Increase in provision for doubtful accounts	224	-
Accretion of premiums on marketable securities	635	618
Changes in assets and liabilities, net of acquisition –		
Accounts receivable	15,541	9,088
Deferred commissions	849	(434)
Prepaid expenses and other current assets	(296)	2,401
Accounts payable	(116)	(1,395)
Accrued expenses	(4,025)	(4,714)
Deferred revenue	(8,770)	(16,914)
<b>Net cash provided by operating activities</b>	<b>13,611</b>	<b>2,995</b>
<b>Cash flows from investing activities:</b>		
Acquisition of Giga Information Group, Inc., net of cash acquired	-	(57,027)
Purchases of property and equipment	(2,423)	(1,122)
Purchase of non-marketable investments	(2,263)	(3,150)
Decrease (increase) in other assets	842	(1,439)
Purchase of marketable securities	(107,478)	(164,338)
Proceeds from sales and maturities of marketable securities	121,623	230,641
<b>Net cash provided by investing activities</b>	<b>10,301</b>	<b>3,565</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	2,959	2,070
Acquisition of treasury shares	(12,623)	(6,796)
Structured stock repurchase	54	(1,793)
<b>Net cash used in financing activities</b>	<b>(9,610)</b>	<b>(6,519)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(66)</b>	<b>(178)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,236</b>	<b>(137)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>22,385</b>	<b>11,479</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 36,621</b>	<b>\$ 11,342</b>